



July 10, 2007

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 – 12th Street SW
Washington, DC 20544

*RE: CC Docket No. 96-45
Ex Parte Presentation*

Ms. Dortch:

The Keep USF Fair Coalition (Coalition) is committed to keeping the Universal Service Fund (USF) collection method fair. As such, and as expressed in previous submissions to the Commission and elsewhere, the Coalition and its members have opposed a proposal to shift from the current collection methodology, which is based on a percentage of revenues derived from interstate long-distance phone calls, to a flat monthly fee for every working phone number (the so-called “numbers” plan). The concern of Keep USF Fair Coalition members is that a numbers-based methodology would cause significant increases in the telephone tax paid by its constituent members, many of whom are low-volume, and often-low income consumers, including seniors, minorities, rural Americans, recent immigrants and the disabled. The Coalition consistently has maintained that if the Commission proceeds with a numbers-based plan, it must take steps to mitigate the harm to the most vulnerable consumers.

We understand that the Commission now has before it a proposal that would base the contributions of prepaid wireless providers to the USF on their minutes of use rather than on working telephone numbers in the event the Commission proceeds with a shift to a numbers-based contribution methodology. Under the proposal, the monthly per number USF contribution charge (*e.g.*, \$1.00) would be divided by the average monthly usage of all wireless customers. That number would then be multiplied by each prepaid wireless provider’s minutes of use to calculate the provider’s monthly USF contribution.

The Keep USF Fair Coalition believes this “by the minute” proposal would be an appropriate mechanism for alleviating an undue and burdensome cost increase for the

millions of consumers who rely on prepaid wireless for affordable phone service should the Commission proceed with its “numbers” proposal. For many of our constituent members, a prepaid cell phone is not just a preferred option, it is their *only* option for wireless service because they either cannot meet credit or security deposit requirements or the minimum monthly usage requirements of contractual plans. For example, TracFone, a Coalition supporter and prepaid wireless provider, has estimated that a full 15 percent of its customers have annual household incomes under \$10,000 and that 49 percent of its customers have annual household incomes under \$25,000. As such the “minutes”-based plan now under consideration is consistent with the Commission’s long-standing policy of keeping low-income consumers connected by reducing their costs.

Further support for the appropriateness of a minutes-based proposal for prepaid wireless is found in the research demonstrating that consumers of prepaid wireless service typically use lower volumes of service than do consumers of post-paid services. Therefore, a minutes-based contribution methodology, as has been proposed, will help ensure that consumers who rely on prepaid wireless services are not forced to shoulder the undue burden of dramatically higher USF phone taxes.

The Keep USF Fair Coalition supports a sustainable, effective and fair Universal Service Fund that meets the goals of assuring affordable telephone service for all Americans. As such, we encourage the Commission to look not only at the contributions into the Fund but also to make the necessary adjustments to the distributions of the Fund to ensure its long-term viability. Beyond that, it is critically important that any changes to the USF contribution methodology not disproportionately impact the most vulnerable and price-sensitive low-income consumers, including seniors, rural Americans, the disabled, minorities, and recent immigrants. Inclusion of a “by the minute” plan for prepaid wireless services would go a long way in alleviating the Coalition’s objections to a numbers-based contribution methodology. The KUSFF Coalition reserves the right to propose other targeted recommendations that would further minimize the unfair and harmful impact of shifting to a numbers-based collection methodology for USF.

Sincerely,

Maureen A. Thompson
Executive Director
Keep USF Fair Coalition

Cc: Hon. Kevin J. Martin
Hon. Michael J. Copps
Hon. Jonathan S. Adelstein
Hon. Deborah Taylor Tate
Hon. Robert M. McDowell